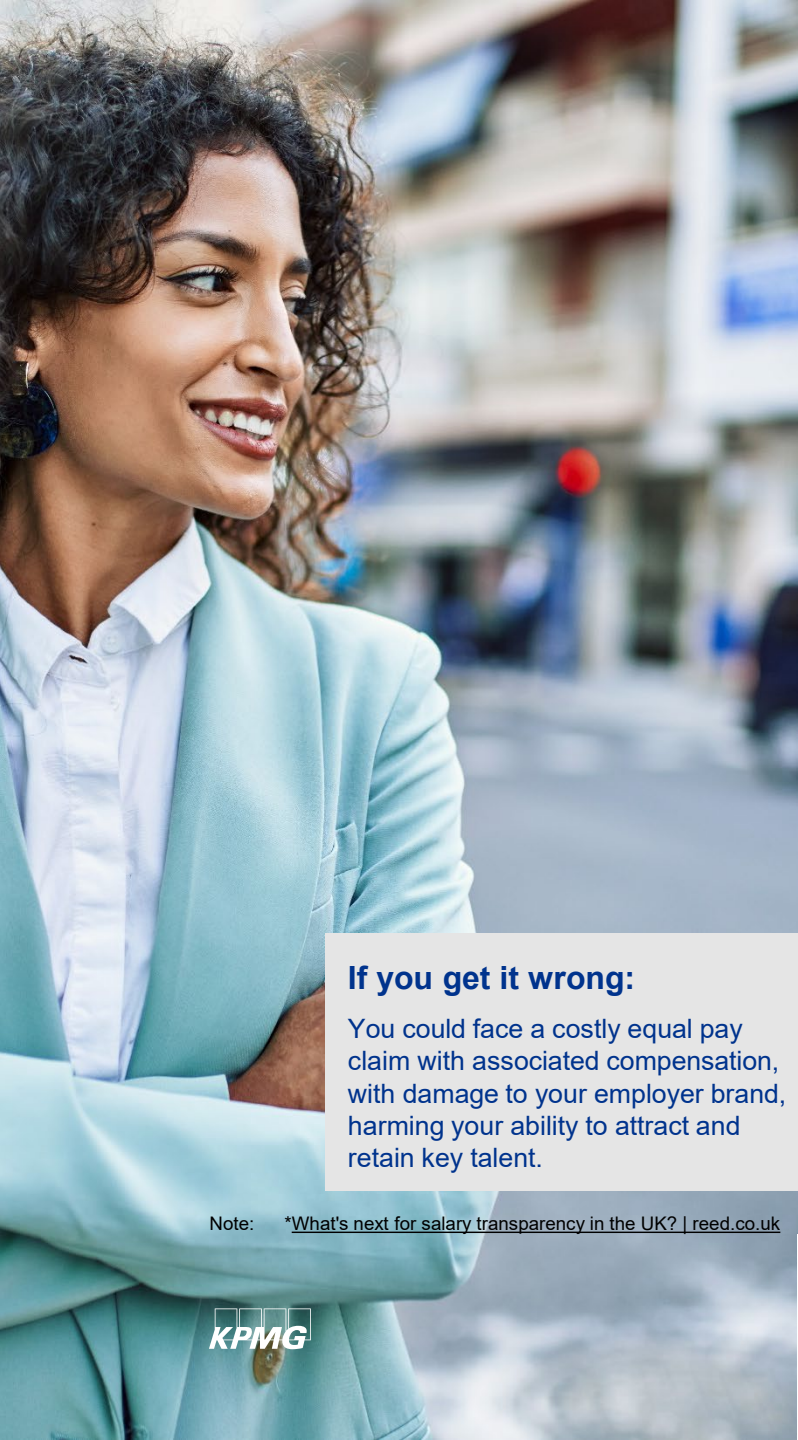




Is your company ready for pay transparency?

Questions for HR and Reward Directors in light of upcoming regulations





The case for pay transparency

Historically compensation has been a private topic amongst employees and employers - That is changing.

As well as employees now having access to sites like Glassdoor to share and view salaries, there is a growing awareness in Europe and the UK and globally on pay transparency and equal pay. For those with European operations, these will become mandatory when the Pay Transparency Directive comes into force. So it no surprise that our 2023 Reward Trends Survey shows **over 53% of European companies are considering the level of pay transparency in their organization.**

Considering the direction of trend and regulation, now is the right time for you to consider how best your company is poised to address calls for pay transparency and how you can make your employee reward structures more transparent.

If you get it wrong:

You could face a costly equal pay claim with associated compensation, with damage to your employer brand, harming your ability to attract and retain key talent.

EU Transparency Directive

Europe aims to implement concrete measures to close the gender pay gap

“Equal work deserves equal pay. And for equal pay, you need transparency. Women must know whether their employers treat them fairly. And when this is not the case, they must have the power to fight back and get what they deserve.”

The directive gives employees access to the information needed to determine whether they are being treated fairly compared to employees in the same company. It also gives employees the necessary tools to claim their right to equal pay. The burden of proof is on employers to show they have acted fairly instead of employees having to prove their employers have treated them unfairly.



Legal Compliance

In an increasing number of jurisdictions organisations are or will be required to comply with local pay transparency laws.



Employee experience

Having a transparent and trust based culture helps drive employee productivity and engagement.



Competitive recruitment

Having pay transparency can give you access to a larger and more appropriate talent pool and reduce candidate screening time. According to recruitment firm Reed, jobs displaying salary information received 27%* more applicants than those without 1



Responsible reward

Apart from helping the organisation align with its ESG agenda, pay transparency helps close the pay gaps and promotes pay equity.

Note: [*What's next for salary transparency in the UK? | reed.co.uk](https://www.reed.co.uk)

What do you need for effective and transparent pay?

01

An effective underpinning structure

- A grading structure underpinned by a job evaluation tool
- A pay structure underpinned by robust pay data

02

A strong governance process

- A process to manage any additions (new jobs) or changes to the existing structure
- Appropriate sign-off levels

03

An understanding of your current position

- Are your grading and pay structures fit for purpose
- Analysis of equal pay position
- Analysis of over and underpay

04

Good communication

- Develop a communication plan to spread the word
- Share the compensation strategy with both existing and prospective employees

05

Effective use of technology

- Utilise data and analytics to stay on top of pay position
- Invest in technology that enables real-time data modelling



What are your regulatory obligations regarding equal pay?

There's no obligation on UK employers to audit or publish data on equal pay. However, there is an obligation under the Equality Act 2010 to give men and women equal pay for equal work and equal pay cases are hitting the headlines frequently, with very significant results for employers.

If an employee makes a claim against you, are you confident you can justify your pay rates and practices?

If that's not enough of an impetus to act: there's a growing awareness of and focus on pay transparency and equal pay auditing. And if you have a parent or subsidiary in a jurisdiction where new reporting applies (such as the EU, US or Canada), you'll face pressure to have the same reporting across your whole business. It is also inevitable that those trends will put pressure on UK employers to do more.

It makes sense to do something now and get your house in order before equal pay audits do become either mandated or expected of you. Do you have robust governance around pay bands and pay reviews within your organisation, and do you undertake calibration and impact assessments from a diversity perspective?

This also matters to your ESG agenda, especially if you want to demonstrate a commitment to the 'S' of ESG..

How are you doing on pay transparency?

Ask yourself:

- Are we confident that our pay and grading system is robust and stands up to any equal pay scrutiny?
- Do we understand the causes of any pay gaps? Are they defensible?
- What steps are we taking to resolve pay gaps and how long will it take?
- Do we have a subsidiary or parent in the EU or a jurisdiction where equal pay audits are mandatory?
- What Inclusion, Diversity and Social Equality (IDSE) checks do we carry out on pay decisions?
- Who's accountable for carrying out IDSE checks on pay decisions?
- Is pay transparency a priority for the Board? If not, how do we get the Board engaged?
- Are we leading on pay transparency and fair pay from the top?
- How do we communicate on pay transparency with employees?

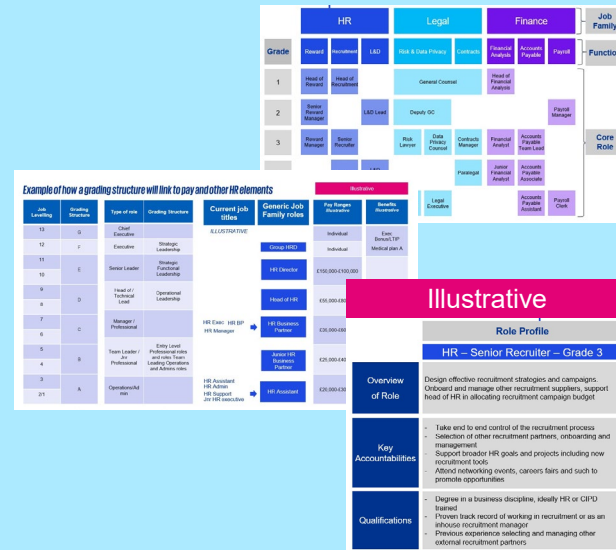


What to do now: Ensure your reward foundations are strong

Your reward structures enable you to manage salary cost but are also often the underpin for many HR processes such as career progression, workforce planning and performance management.

We can help you check your structures to ensure that are robust enough to enable you to publish data without creating significant risk

Job Architecture



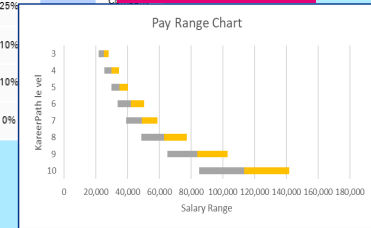
How does a robust grading structure help you?

A well-designed grading structure and architecture provides the underpin on which your HR systems can operate. It can help you manage both cost and pay risks, improve attraction and retention, support growth and workforce planning while enhancing employee productivity and engagement. It is usually used as the underpin for a pay structure.

Your grading and architecture needs to be fit for purpose to drive an effective pay structure

Pay Structure Design

Grade	Type of Role	Pay Range	Bonus	LTIIP	Benefits
12	CEO	Individual	45%	50%	Exec package
11	Executives	Individual	45%	50%	Standard p
10	Senior Leaders	100 - 150k	30%	20% for some	Standard p
9	Head of / Technical Lead	50-80k	25%		
8	Managers / Professionals	35-60k	10%		
7	Team Leaders / Jr Professionals	25-40k	10%		
6	Admin / Operations	20-30k	0%		



How does a pay structure design help you?

- Understanding your market position
- Decisions regarding hiring, promotions, and pay reviews
- Attracting and retaining the best industry talent
- Managing pay costs and maximising return on investments
- Establishing processes to manage equal pay risk
- Effective HR process such as career progression

A pay structure needs to be market aligned, reflect roles and fair (containing no bias) to be effective. Roles and individual employee need to be mapped correctly into the structure to avoid structurally building in pay inequity and risk.



How prepared is your company for pay transparency?

Get a clear view of how your reward and HR practices are performing across the board and ensure you are ready for regulatory changes and changing workforce culture.

This checklist will help you check the health of your reward systems

- ✓ We can identify how compliance topics impact different populations within our workforce
- ✓ We have a robust grading structure and job architecture in place, underpinned by job evaluation, to understand how our workforce is structured
- ✓ We have regularly undertaken benchmarking to ensure our reward offerings are competitive and aligned to market
- ✓ We have pay structures in place that are underpinned by the benchmarking
- ✓ We regularly review our grading, architecture and pay structures to ensure that they are fit-for-purpose
- ✓ We regularly review our policies and working practices
- ✓ We have clear and accessible record of the workforce and pay decisions that we have made
- ✓ We know what our workforce needs look like today and can map what is required in the future
- ✓ We communicate clearly with stakeholders and employees on workforce and pay issues where appropriate
- ✓ We are well placed to address concerns regarding pay transparency

How we can help

With expertise across reward consulting, employment law, data and technology, we are ideally placed to guide you in navigating the changing regulations surrounding pay and pay transparency

We have experience working across industries and sectors, providing solutions and guidance on complex issues. No matter what stage of your reward journey you are on, whether as a start up or as an established multi-national firm, we understand what it takes to ensure your reward structures are robust and dynamic enough to support your growth.

Our multi-disciplinary team can look at employment and pay compliance issues in the round and provide legally privileged advice to allow you to understand any technical compliance obligations, test out your readiness to comply and risk assess in a controlled and confidential manner. That means we can help you identify any issues and put in place the systems, processes and working practices to address them.



Assess

With relevant stakeholders, we understand the current workforce structures in place, identify areas impacted by regulation and highlight areas of good practice



Diagnose

We check if your workforce structures need updating, how to optimise your HR systems and consider which policies and processes need to be changes to be compliant towards regulations



Respond

We test the robustness of your reward structures and governance processes, checking the effectiveness of your budget and communications



Protect

We can offer legally privileged advice on pay transparency and any issues uncovered in your pay practices



If you would like to discuss any of the topics covered in this guide or how KPMG can support your organisation with them, please get in touch with us:



Scott Cullen

Partner, Corporates and National Markets Reward
E: Scott.Cullen@kpmg.co.uk



Vijay Solanki

Partner, Financial Services Reward
E: Vijay.Solanki@kpmg.co.uk



Donna Sharp (Solicitor)

Head of Employment Law - KPMG Law
E: donna.sharp@kpmg.co.uk



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